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C O N F I D E N T I A L SECTION 01 OF 04 MANAMA 000024

SIPDIS

EMBASSY RIYADH PASS DHAHRAN

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TAGS: [PREL](#) [PGOV](#) [ETRD](#) [EPET](#) [BA](#)

SUBJECT: KING FOCUSES ON RELATIONS WITH SAUDI ARABIA IN  
MEETING WITH AMBASSADOR

Classified by Ambassador William T. Monroe for reasons 1.4  
(b) and (d).

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Summary  
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1. (C) King Hamad, in a January 3 meeting with the Ambassador, expressed his appreciation for his November 29 meeting with the President and reaffirmed Bahrain's friendship with the United States. The Ambassador thanked the King for the GOB's continued surveillance of the four terrorist suspects and urged the government to pursue a vigorous prosecution. The King recounted his visit with Saudi Crown Prince Abdulla shortly after the December 20-21 GCC Summit, saying he was not happy with Saudi Arabia's "unusual behavior" towards Bahrain. The King voiced his opinion that CP Abdulla believes the U.S.-Bahrain Free Trade Agreement (FTA) and FTA negotiations with other Gulf States could lead to the break-up of the GCC. The King said that Saudi Arabia did not like direct contact between other GCC members. He explained that after spending \$700 million to expand production of the joint Bahraini-Saudi Abu Saafa field, Bahrain was actually receiving less oil from Saudi Arabia than before. He noted that FTA ratification was on track in the Bahraini parliament, and expressed his confidence that Bahrain's Shia would participate in elections in 2005 and 2006. The King hoped that the President would make a push on the roadmap following Palestinian elections. End Summary.

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Grateful for Meeting with President  
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2. (C) King Hamad told the Ambassador January 3 that he was happy to have met with the President so soon after the U.S. election, saying that Bahrain is a small country but it plays a big role in the region. He said that Bahrain is proud of its friendship with the United States and has been with the U.S. "from the beginning." The U.S. role in the region has been very positive: the U.S. freed Iraq and deters Iran. The King complimented the Ambassador on his interview that appeared in the December 29 edition of the Bahrain Tribune and Al Ayam newspapers.

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Joint Counter-Terrorism Efforts  
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3. (C) The Ambassador raised our joint counter-terrorism efforts, stating that the U.S. appreciates continued Bahraini surveillance of the four terrorist suspects currently on trial. The United States, the Ambassador continued, wants the GOB to pursue the prosecution energetically. The King replied that Minister of Interior Shaikh Rashed bin Abdulla Al Khalifa is close to him and is doing well. Shaikh Rashed's goal is to develop a relationship between the MOI and the United States that is as close as the relationship between the Ministry of Defense and the U.S. The Ambassador responded that the USG is supporting Shaikh Rashed's efforts.

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Saudi Arabia's "Unusual Behavior"  
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4. (C) The Ambassador praised the King for his handling of the December 20-21 GCC Summit in Manama, and asked the King for his thoughts on Saudi Arabia. The King replied that he had visited Crown Prince Abdulla shortly after the summit. He said that Bahrain had always provided counsel to Saudi Arabia, from the time of Ibn Saud, and Bahrainis are the only people who are honest with the Saudis. He reported that he told CP Abdulla that he was not happy with Saudi Arabia's "unusual behavior" at the GCC Summit. Saudi Arabia is the backbone of the GCC, and by not participating, something could go wrong. The King told CP Abdulla that Saudi Arabia will not get what it wants from the world because of the way the SAG runs the country. Saudi Arabia needs the Gulf States as an outlet to the world. Saudi Arabia relies on Bahrain for much of its banking and insurance requirements, and Dubai is the destination for Saudi investments in construction and

real estate.

15. (C) The King said that he told CP Abdulla that the United States appreciates what Saudi Arabia is doing in the fight against terrorism, but Saudi Arabia should be more forward leaning in explaining its views. President Bush is a friend of Saudi Arabia, and the SAG should "help him help you." The King commented that CP Abdulla is a national guardsman, not a politician or economist, and he does not know how to use the media to his advantage.

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Saudi Concern About FTAs  
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16. (C) The King continued that CP Abdulla believes that the U.S.-Bahrain Free Trade Agreement (FTA) and FTA negotiations with other Gulf countries could lead the GCC to break-up. The King related that he told CP Abdulla that all GCC countries are now members of the World Trade Organization (WTO) except Saudi Arabia, and the SAG did not complain when they joined the WTO, so why now be worried about FTAs? The Ambassador noted that U.S. officials had briefed Saudi Arabia on our FTA plans before announcing our intention to negotiate with Bahrain, and the Saudis had not objected.

17. (C) The King said that he told CP Abdulla that whoever was advising him regarding FTAs was not a friend of the United States. The Gulf States are independent and benefit from their relationships with the U.S., and Saudi Arabia should do the same. The King asked CP Abdulla how Saudi Arabia would market its Jubail industrial complexes if it did not promote trade with the U.S. and others. Saudi Arabia, the King continued, is jealous of Bahrain's relationship with the United States. It also views Bahrain's improved relations with Qatar, and talk of development of a causeway linking the two countries, as cutting Saudi Arabia out of the picture. Saudi Arabia does not like direct contact between the Gulf States; it prefers to be the broker. The King stated that he had met with Qatari Emir Hamad and joked that the two countries previously had to fight over Hawar Island, but now that this was settled, there should be no border between them.

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Saudi Cold Shoulder in Washington  
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18. (C) The King told the Ambassador that neither Saudi Prince Bandar nor any other representative of the Saudi Embassy had met him upon his arrival in the United States, whereas all the other Arab embassies were present. He met later with Bandar, who told the King that he was "the most frustrated man in the world." He is welcomed by the White House, but he does not have guidance on how to respond when the President asks him questions. The King commented that the Saudi leadership is tough in fighting terrorism but does not see the global picture or how to engage internationally.

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Bahrain's Oil Woes  
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19. (C) Turning the discussion to petroleum, the King said that Saudi Arabia is playing a role in stopping inter-GCC trade. Qatar wants to export natural gas to Bahrain and Kuwait, but Saudi Arabia will not give approval for a pipeline to go through its territory. The King said that he complained to CP Abdulla that Saudi Arabia had cut off a 50 thousand barrel per day (bpd) allotment that it had given to Bahrain for five years against Bahrain's share of the Abu Saafa oil field. He explained that Saudi Arabia and Bahrain split production from the Abu Saafa field (under a 1950's-era treaty). Output had been 150 thousand bpd, of which Bahrain received 75 thousand bpd. In the mid-1990's, however, Saudi Arabia donated its share to Bahrain, which then received all 150 thousand bpd. And in 1999, Saudi Arabia provided an additional 50 thousand bpd drawn against its share of future production from the Abu Saafa field, for a total of 200 thousand bpd.

110. (C) The two countries, the King continued, decided to boost production of the Abu Saafa field from 150 thousand to 300 thousand bpd. This additional amount would provide important revenue for the GOB budget and pay for the government's plans for economic development. The King claimed that Bahrain borrowed \$700 million for the expansion of the field. Now that the field is producing at the higher rate, Saudi Arabia is giving Bahrain only its 50 percent share (150 thousand bpd) and has stopped the 50 thousand bpd loan. So Bahrain is receiving less oil than before (150 versus 200 thousand bpd) and must pay off its investment of \$700 million. The King said that Saudi Petroleum Minister Nuaimi announced recently that Saudi Arabia has 2 million bpd of extra capacity. He complained that Bahrain wants only 50 thousand of this 2 million, but cannot get it. He recalled

that some years ago the American Ambassador in Riyadh had intervened on Bahrain's behalf, and wondered if the U.S. could get involved now.

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"Radio Silence" From Riyadh  
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11. (C) The King noted that Saudi Arabia had stopped its exports of sand (used in construction) to Bahrain, Kuwait, and Qatar because of Bahrain's reforms and the FTA. (Note: The Saudi Ambassador in Bahrain told the Ambassador previously that the sand exports stopped because of a dispute over contracts and concerns about environmental degradation at sand "quarries." End Note.) When Bahrain asks Saudi Arabia about the oil, sand, and gas pipeline from Qatar, it gets only "radio silence."

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FTA Ratification on Track  
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12. (C) The King told the Ambassador that the Bahraini parliament will soon take up ratification of the FTA and will approve it. The Bahraini people are happy with the FTA.

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Shia Participation in Elections  
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13. (C) The Ambassador noting that Lebanese Shia cleric Mohammed Hussein Fadlallah had given an interview to Al Wasat newspaper and advised Bahrain's Shia to participate in elections, asked if the King was optimistic about them participating in the next elections. The King expressed confidence that the opposition parties would participate in the elections. The majority had done so in 2002, he said, but the government wants all Shia to do so in the future. (Note: Municipal elections will take place in fall 2005 and parliamentary elections in fall 2006. End Note.)

14. (C) The King said that the best Bahrainis who had been in exile in London had returned. He spoke highly of Al Wasat editor-in-chief Mansour Al Jamry, who "speaks in a modern way and says what is right and wrong." Majid Al Alawi, the Minister of Labor and Social Affairs, was very good but the oppositionists are upset with him because he is "one of the family." The King said that he had met Saeed Al Shehabi of the Bahrain Freedom Movement in London and invited him to return to Bahrain, but he "is more comfortable in London." The Shia boycotters are not those who were in the UK, but those who follow Iran's orders. He noted that Shia opposition society Al Wifaq had organized a conference to be held January 4 "with the support of the government." Al Wifaq had invited former Lebanese PM Salim Al Hoss and Kuwaiti thinker Al Rumaihi to participate, and these are the kinds of people the government wants involved, not "radicals from Qom."

15. (C) The King noted that Iranian President Khatemi's wife would visit Bahrain soon at the invitation of the King's wife Shaikha Sabika, and she would see a lifestyle much more cosmopolitan than that in Iran. The King joked that Khatemi is a moderate, but a terrorist; Khamenei is a religious cleric, but a terrorist; and Rafsanjani is a businessman, but a terrorist.

16. (C) The King noted that he would travel to Kuwait January 4 to have lunch with Shaikh Jaber and brief him on the GCC Summit. He commented that Kuwait is under pressure from the Salafis in parliament and because of the presence of American troops, and needs support from Bahrain and the U.S.

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Push on the Roadmap  
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17. (C) The King stated that he had just returned from vacation in Sharm El Sheikh, Egypt, where he had met President Mubarak and UK PM Blair, who was also vacationing there, and he had spoken with Jordanian King Abdullah. They had all discussed the opportunity for movement on the Palestinian situation. The King hoped that following the Palestinian election, President Bush would make a push on the roadmap. The King recounted that he had told Blair that the Palestinians had supported Saddam's invasion of Kuwait and, "like President Bush," he does not trust the Palestinians. However, we must help them during this period.

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